

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-06 NEA-06 ISO-00 IO-10 H-01 L-02 PRS-01

PA-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

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FRB-01 INR-05 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

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P 221002Z NOV 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 8589

INFO AMEMBASSY KABUL PRIORITY

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USADB

FOR NAC AGENCIES

E.O. 11652: ADS, DECLAS 3/31/75

TAGS: EAID, EFIN, AF

SUBJECT: PROPOSED ADB LOAN AND TECHNICAL ASSISTANCE GRANT FOR
KAJAKAI SPILLWAY GATES PROJECT - AFGHANISTAN

SUMMARY: ADB MANAGEMENT PROPOSES \$14 MILLION EQUIVALENT
LOAN FROM SPECIAL FUNDS RESOURCES AND \$250,000 TECHNICAL
ASSISTANCE (TA) GRANT TO AFGHANISTAN TO FINANCE FOREX
COST OF INSTALLING EIGHT RADIAL STEEL GATES IN THE
EXISTING SPILLWAY OF THE KAJAKAI DAM; VEHICLES, SNOW
SURVEY EQUIPMENT AND CONSULTING SERVICES (UNDER LOAN);
AND PREPARATION OF A COMPREHENSIVE AGRICULTURAL DEVELOP-
MENT PLAN FOR UPPER HELMAND VALLEY (TA GRANT). USADB
RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC. R111-74 WITH ATTACHMENTS DESCRIBING
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PROPOSED LOAN AND GRANT POUCHED ADDRESSEES NOV. 19.

BOARD CONSIDERATION SCHEDULED DEC. 5.

2. ADB MANAGEMENT PROPOSING \$14 MILLION LOAN FROM SPECIAL FUNDS RESOURCES AND \$250,000 TA GRANT TO GOVT OF AFGHANISTAN. PROCEEDS WILL FINANCE FOREX COST OF INSTALLING EIGHT 12.2 METERS WIDE BY 12 METERS HIGH RADIAL SPILLWAY GATES IN EXISTING UNGATED SPILLWAY OF KAJAKAI DAM; VEHICLES, SNOW SURVEY EQUIPMENT AND CONSULTING SERVICES FOR SPILLWAY GATE CONSTRUCTION AND AGRICULTURAL DEVELOPMENT PLANNING FOR UPPER HELMAND VALLEY. PROPOSED TERMS ARE 40 YEAR AMORTIZATION INCLUDING 10 YEAR GRACE PERIOD, 1 PERCENT SERVICE CHARGE. REPUBLIC OF AFGHANISTAN TO BE BORROWER, HELMAND-ARGHANDAB VALLEY AUTHORITY (HAVA) OF MINISTRY OF AGRICULTURE TO BE EXECUTING AGENCY.

3. AGRICULTURE, MOST IMPORTANT SECTOR OF AFGHAN ECONOMY, HAS BEEN SEVERELY CONSTRAINED BY LIMITED IRRIGATION FACILITIES, WITH ONLY 1.3 MILLION HECTARES OUT OF TOTAL CULTIVATED AREA 5.1 MILLION HA RECEIVING ADEQUATE WATER FOR ONE CROP GIVEN LOW ANNUAL RAINFALL. ACCORDINGLY, GOVT HAD ALLOCATED 39 PERCENT OF DEVELOPMENT EXPENDITURES FOURTH FIVE-YEAR PLAN (1972/73 - 1976/77) TO AG SECTOR, INCLUDING STEPS TOWARDS GOAL OF DOUBLING HECTARAGE UNDER IRRIGATION DURING NEXT 15 TO 20 YEARS.

4. OBJECTIVE OF PROJECT IS TO INCREASE EXISTING KAJAKAI RESERVOIR CAPACITY FROM 1.720 MILLION CUBIC METERS TO 2.730 MN CU. M., THEREBY BRINGING ADDITIONAL 26,000 HA OF NEW LAND UNDER IRRIGATION AND INCREASING DEPENDABLE FLOW OF HELMAND RIVER TO INCREASE PRODUCTION IN EXISTING IRRIGATED FARMLAND; FOR HYDROPOWER GENERATION AND IMPROVED FLOOD CONTROL.

5. HELMAND BASIN, COVERING 260,000 SQ. KM. IN SOUTH-WEST AFGHANISTAN INCLUDES HELMAND RIVER MOSTLY FED BY SNOW MELT IN HINDU KUSH MOUNTAINS. UPPER HELMAND VALLEY POPULATION ESTIMATED AT 275,000 (MOSTLY IN HELMAND PROVINCE) WHILE 45,000 LIVE IN LOWER HELMAND (NIMROZ LIMITED OFFICIAL USE

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PROVINCE). AGRICULTURAL AREAS MOSTLY CONFINED TO NARROW VALLEYS OF HELMAND RIVER AND ITS MAIN TRIBUTARY ARGHANDAB RIVER.

6. ESTIMATED \$100 MILLION IN GOVT RESOURCES AND FOREIGN LOANS HAVE BEEN INVESTED IN UPPER HELMAND PAST 23 YEARS TO PROVIDE BASIC INFRASTRUCTURE-STORAGE DAMS, IRRIGATION AND ROAD SYSTEMS, POWER AND

WATER SUPPLY. IN MORE RECENT YEARS, GOVT HAS SOUGHT TO PROVIDE AG CREDIT AND EXTENSION SERVICES, FACILITATE PROVISION OF AG INPUTS (IMPROVED SEED VARIETIES, FERTILIZER, PESTICIDES FOR PLANT PROTECTION, ETC.) SINCE 1952, USAID HAS PROVIDED OVER \$20 MILLION IN TECHNICAL ASSISTANCE AND TRAINING GRANTS TO THE VALLEY MAINLY IN AREAS OF AGRICULTURE, ENGINEERING, WATER RESOURCES, LAND RECLAMATION AND SETTLEMENT.

7. AG PRODUCTION IN HELMAND VALLEY IN PRESENTLY CULTIVATED 123,260 HA HAS BEEN INCREASING, WITH MAIN CROPS WHEAT, COTTON, CORN, FRUITS AND VEGETABLES. ABOUT 10,480 HA ARE DOUBLE-CROPPED WITH CORN AND MUNG BEAN. WHEAT PRODUCTION HAS GONE FROM 74,000 MT IN 1969 TO 152,000 MT IN 1974, WITH USE OF HIGH YIELDING VARIETIES, CHEMICAL FERTILIZERS. COTTON OUTPUT HAS RISEN FROM 6000 MT IN 1969 TO ESTIMATED 24,000 MT IN 1974.

8. YIELDS HOWEVER ARE HIGHEST IN DEVELOPED AND REHABILITATED AREAS ASSURED REGULAR SUPPLY OF WATER; LOWER OUTPUT IN TRADITIONALLY IRRIGATED AREAS ATTRIBUTED TO FLOOD DAMAGE, INADEQUATE WATER DURING GROWING SEASON AND LACK OF PROPER DRAINAGE, REQUIRED AG INPUTS. PROJECT, BY ENABLING MORE STORAGE, WOULD PERMIT INCREASED RIVER FLOW DURING IRRIGATION SEASON AND LESS SEVERE FLOODING DURING PEAK FLOW WHICH OFTEN WASHES AWAY FARMER-BUILT WEIRS AND HAND-DUG CANALS; CAUSES CROP LOSSES.

9. KAJAKAI DAM NOW HAS UNGATED SPILLWAY IN RIGHT ABUTMENT WHICH SPILLS 20 OUT OF EACH 24 YEARS. PROJECT LIMITED OFFICIAL USE

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WOULD PROVIDE IN THIS SPILLWAY EIGHT RADIAL STEEL GATES 12.2 METERS WIDE BY 12.0 METERS HIGH TO BE OPERATED BY ELECTRIC HOISTS. INSTALLATION WOULD HAVE EFFECT OF REDUCING FLOOD PEAKS AND VOLUMES OF FLOW FROM RESERVOIR AND ENABLE INCREASED RELEASES DURING MAIN IRRIGATION SEASON.

10. TOTAL COST OF PROJECT ESTIMATED AT \$17,130,000 OF WHICH \$14,250,000 (83PERCENT) IS FOREX COST APPORTIONED AS FOLLOWS: CONSTRUCTION OF GATES (5,180); CONSULTANT SERVICES (810); VEHICLES AND SNOW SURVEY EQUIPMENT (\$50) (ABOVE FIGURES IN THOUSANDS); PREPARING AG DEVELOPMENT PLAN AND FOR CONTINGENCIES (\$250,000). GOVT TO MEET LOCAL CURRENCY PROJECT COSTS OF AFS152.1 MILLION (\$2.87 MILLION EQUIVALENT).

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ACTION TRSE-00

INFO OCT-01 EA-06 NEA-06 ISO-00 IO-10 L-02 H-01 PA-01

PRS-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

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11. PROCUREMENT TO BE IN ACCORD WITH BANK'S GUIDE-LINES, AND WILL BE DIVIDED INTO TWO MAIN CONTRACTS: CIVIL WORKS CONTRACTOR TO PERFORM CIVIL WORKS AND INSTALL GATES WHILE ANOTHER CONTRACTOR WILL MANUFACTURE AND SUPPLY GATES; SUPERVISE THEIR ERECTION BY CIVIL WORKS CONTRACTOR. BOTH CONTRACTORS TO BE PRE-QUALIFIED. CONSTRUCTION NOT SCHEDULED TO BEGIN BEFORE MID-1977 (AFTER SPRING FLOODS SUBSIDE AND POSSIBLE SPILLING ENDS). TWO AND ONE-HALF YEAR LEAD TIME REQUIRED TO MAKE LOAN EFFECTIVE. RECRUIT CONSULTANTS, PRE-QUALIFY CONTRACTORS, PREPARE TENDER DESIGNS AND DOCUMENTS, EVALUATE AND MAKE AWARDS, AND FOR MOBILIZING CIVIL WORKS CONTRACTOR. PROJECT TO BE COMPLETED BEFORE FLOOD SEASON EARLY 1979.

12. CONSULTANTS TO BE ENGAGED FOR SPILLWAY GATE CONSTRUCTION TO PREPARE SPECS AND TENDER DOCS, EVALUATE BIDS AND RECOMMEND AWARDS, SUPERVISE CONSTRUCTION AND PREPARE RESERVOIR AND GATE OPERA-

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TION RULES TO ACCOMMODATE IRRIGATION, FLOOD CONTROL
AND HYDRO POWER GENERATION REQUIREMENTS.

13. EXECUTING AGENCY, HELMAND-ARGHANDAB ALLEY
AUTHORITY (HAVA) IN EXISTENCE SINCE 1953 HAS
RECENTLY BEEN TRANSFERRED FROM PLANNING MINISTRY
TO MINISTRY OF AGRICULTURE AND IRRIGATION, IS
RESPONSIBLE FOR MAJOR PROGRAMS IN VALLEY INCLUDING
IRRIGATION, AGRICULTURE, EDUCATION, PUBLIC HEALTH
AND POWER. HAVA HAS BEEN RECIPIENT OF SUBSTANTIAL
ASSISTANCE FROM USAID WHICH SUPPORT HAS NOW BEEN
TERMINATED. ALSO PRESIDENT OF HAVA IS NO LONGER
CONCURRENTLY GOVERNOR OF HELMAND PROVINCE. BANK
ASSESSES HAVA AS LACKING SUFFICIENT TECHNICAL STAFF
TO PLAN AND DESIGN PROJECT HENCE STRONG CONSULTANCY
COMPONENT PROVIDED IN LOAN WITH HAVA ROLE LIMITED
TO ADMIN SUPPORT AND COORDINATION.

14. ECONOMIC BENEFITS OF PROJECT PARTLY CONTINGENT
UPON ADDITIONAL INVESTMENTS IN IRRIGATION (AND
HYDROPOWER) INCLUDING REHAB OF TRADITIONAL IRRIGATION
SYSTEMS IN UPPER HELMAND VALLEY. BANK'S APPRAISAL
NOTES DIFFICULTIES HAVA ENCOUNTERED IN IMPLEMENTING
SHAMALAN PROJECT, PARTICULARLY LAND CONSOLIDATION
AND LAND LEVELING. ACCORDINGLY, HAVA'S FUTURE
REHABILITATION PLANS TO BE LIMITED MAINLY TO
CONSTRUCTION OF DIVERSION WEIRS, IMPROVEMENTS IN
DISTRIBUTION SYSTEMS AND CONSTRUCTION OF MAJOR
DRAINS AND ACCESS ROADS. REHAB EFFORTS TO BE
MAINLY FOCUSED ON SERAJ AREA IMMEDIATELY DOWNSTREAM
OF DAM REACHING TO SHAMALAN AREA. ECONOMIC INTERNAL
RATE OF RETURN CALCULATED AT 25.8 PERCENT; PROJECT
CONSIDERED ECONOMICALLY AND TECHNICALLY VIABLE.
PROJECT FACILITATES IMPORT SAVINGS FOR WHEAT AND
CORN, HAS EXPORT FOREX EARNINGS POTENTIAL FOR
SURPLUS COTTON, EXPANDS SETTLEMENT AREAS FOR
NOMADS.

15. IT SHOULD BE NOTED THAT THIS PROJECT HAD EARLIER
BEEN CONSIDERED IN CONJUNCTION WITH A PROPOSED
FLOOD CONTROL AND IRRIGATION SCHEME IN CHAKHANSUR
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AREA OF LOWER HELMAND VALLEY AS ONE INTEGRATED

PROJECT BUT THAT DAOUD GOVT IN NOV. 1973 HAD REQUESTED A BANK TO APPRAISE THE SPILLWAY GATEXMS INDEPENDENTLY OF THE CHAKHANSUR PROPOSAL, STRESSING THAT CULTIVATION HAD BECOME MORE INTENSIVE AND SHIFT BY MANY FARMERS TO COTTON REQUIRED MORE WATER. ADB HAD GRANT-FINANCED FEASIBILITY STUDIES OF GATE PROJECT (1970) AND CHAKHANSUR PROJECT IN 1972. MINISTRY OF PLANNING NOW INDICATES IT FAVORS MORE INTENSIVE DEVELOPMENT OF LOWER CHAKHANSUR THAN ORIGINALLY ENVISAGED, INCLUDING A STORAGE DAM UPSTREAM OF CHAHAR BURJAK. MINPLAN HAS CONFIRMED IRAN HAS MADE AVAILABLE THROUGH BILATERAL ASSISTANCE \$20 MILLION FOR VARIOUS FEASIBILITY STUDIES AND WOULD PROVIDE \$1 BILLION OVER NEXT FEW YEARS FOR IMPLEMENTING SUCH PROJECTS (INCLUDING CHAKHANSUR).

16. AG DEVELOPMENT IN UPPER HELMAND IS MAJOR JUSTIFICATION FOR PROJECT. HOWEVER, HAVA LACKS DEFINITIVE PLAN FOR VALLEY AG DEVELOPMENT PROGRAMS; CAPACITY TO DETERMINE MOST FEASIBLE FUTURE INVESTMENT PRIORITIES. ACCORDINGLY, GRANT-FUNDED TA TO FORMULATE AG DEVELOPMENT PLAN AND IMPLEMENTATION THEREOF IS CRUCIAL TO SUCCESS OF PROJECT. TEAM OF CONSULTANTS TO BE ENGAGED FOR ONE YEAR UNDER TA GRANT WILL BE IN FIELDS OF IRRIGATION ENGINEERING, AG ECONOMICS, SOILS AND AGRONOMY, TO FORMULATE AG DEVELOPMENT PROGRAM FOR HELMAND VALLEY INCLUDING STUDY OF EXTENSION SERVICES, INPUT SUPPLY, CREDIT, MARKETING, STORAGE, TRANSPORT, ETC. TERMS OF REFERENCE OF AG CONSULTANTS WILL MAINLY ADDRESS REHAB OF 20,000 HA OF TRADITIONALLY IRRIGATED AREAS IN SERAJ AND GARMSEL, AND PROVISION OF NEW IRRIGATION AND DRAINAGE FACILITIES TO 26,000 HA IN SERAJ, GARMSEL, SHAMALAN AND DARWESHAN AREAS NOW WITHOUT WATER. HAVA'S CONSTRUCTION UNIT (HACU) DEEMED COMPETENT TO CONSTRUCT THESE FACILITIES AND ALSO TO POSSIBLY PARTICIPATE ON JOINT-VENTURE BASIS WITH GATE PROJECT CIVIL WORKS CONTRACTOR. GOVT AGREES TO CONSULT WITH BANK ON FINDINGS OF LIMITED OFFICIAL USE

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AG CONSULTANTS AND TO INFORM BANK ON IMPLEMENTATION DECISIONS.

17. ON BASIS OF BANK'S CANDID ASSESSMENT OF HAVA'S CAPABILITIES AND LIMITATIONS AND INCLUSION OF OBLIGATION FOR GOVT TO ACT IN CONSULTATION WITH BANK TO IMPLEMENT MEANINGFUL AG DEVELOPMENT PROGRAM IN THE VALLEY, USADB SUPPORTS PROPOSAL AND RECOMMENDS

FAVORABLE NAC ACTION.

18. REQUEST U.S. MISSION KABUL COMMENTS FOR NAC
AGENCIES, INFO USADB MANILA, PURSUANT TO STATE
119795 DTD 3 JULY 1972.
SULLIVAN

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